

**UNITED STATES DISTRICT COURT  
DISTRICT OF MASSACHUSETTS**

ROBERT BURNS, Individually and on  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

INSULET CORPORATION, DUANE  
DESISTO, PATRICK J. SULLIVAN,  
ALLISON DORVAL, and BRIAN  
ROBERTS,

Defendants.

Case No. 15-11855

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff Robert Burns (“Plaintiff”), individually and on behalf of all other persons similarly situated, by his undersigned attorneys, for his complaint against defendants, alleges the following based upon personal knowledge as to himself and his own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the defendants’ public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding Insulet Corporation (“Insulet” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

#### **NATURE OF THE ACTION AND OVERVIEW**

1. This is a federal securities class action on behalf of a class consisting of all persons other than defendants who purchased or otherwise acquired Insulet securities between February 27, 2013 and April 30, 2015, inclusive (the “Class Period”), seeking to recover damages caused by defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. Insulet is primarily engaged in the development, manufacturing and sale of its proprietary OmniPod Insulin Management System (the “OmniPod System”), an insulin infusion system for people with insulin-dependent diabetes. The OmniPod System features a disposable tubeless OmniPod, which is worn on the body for approximately three days at a time, and the handheld, wireless Personal Diabetes Manager (“PDM”).

3. Throughout the Class Period, defendants made materially false and misleading statements regarding the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose: (1) that the Company was experiencing slower demand for its products; (2) that the Company was facing issues with its sales and marketing efforts; (3) that, as a result, the Company experienced unevenness in its financial performance; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects lacked a reasonable basis.

4. On April 30, 2015, after the market closed, the Company announced first quarter 2015 earnings below analyst expectations. According to the Company, certain Drug Delivery and International shipments planned for the first quarter of 2015 were expected to be realized during the remainder of 2015.

5. On this news, shares of Insulet declined \$2.88 per share, nearly 10%, to close on May 1, 2015, at \$26.97 per share, on unusually heavy volume.

6. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's securities, Plaintiff and other Class members have suffered significant losses and damages.

### **JURISDICTION AND VENUE**

7. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the preparation and dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. Additionally, Insulet's principal executive offices are located within this Judicial District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

### **PARTIES**

11. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Insulet common stock during the Class Period and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant Insulet is a Delaware corporation with its principal executive offices located at 600 Technology Park Drive, Suite 200, Billerica, Massachusetts 01821.

13. Defendant Duane DeSisto ("DeSisto") was Chief Executive Officer ("CEO") and a director of Insulet until September 16, 2014.

14. Defendant Patrick J. Sullivan ("Sullivan") was CEO and a director of Insulet since September 16, 2014.

15. Defendant Allison Dorval ("Dorval") was Chief Financial Officer ("CFO") of Insulet since November 6, 2014.

16. Defendant Brian Roberts (“Roberts”) was CFO of Insulet until November 6, 2014.

17. Defendants DeSisto, Sullivan, Dorval, and Roberts are collectively referred to hereinafter as the “Individual Defendants.”

## **SUBSTANTIVE ALLEGATIONS**

### **Background**

18. Insulet is primarily engaged in the development, manufacturing and sale of its proprietary OmniPod System, an insulin infusion system for people with insulin-dependent diabetes. The OmniPod System features a disposable tubeless OmniPod, which is worn on the body for approximately three days at a time, and the handheld, wireless PDM.

### **Materially False and Misleading Statements Issued During the Class Period**

19. The Class Period begins on February 27, 2013. On this day, Insulet issued a press release entitled, “Insulet Reports Fourth Quarter and Full Year 2012 Results.” Therein, the Company, in relevant part, stated:

***Company Achieves Operating Cashflow Profitability for Q4  
Year of Strong Growth Capped Off With FDA Clearance of the New  
OmniPod Insulin Pump***

Insulet Corporation (NASDAQ: PODO), the leader in tubeless insulin pump technology with its OmniPod® Insulin Management System, today announced financial results for the fourth quarter and full year ended December 31, 2012.

***Fourth Quarter Results***

Fourth quarter 2012 revenue increased 23% to \$57.8 million, compared to \$47.2 million in the fourth quarter of 2011. Gross profit for the fourth quarter of 2012 improved by 26% to \$25.3 million, as compared to a gross profit of \$20.1 million for the fourth quarter of 2011. The increase in both revenue and gross profit was driven by continued growth of the OmniPod

customer base both in the U.S. and international markets during the fourth quarter of 2012.

Operating loss for the fourth quarter of 2012 was \$6.1 million, compared to an operating loss of \$10.5 million in the fourth quarter of 2011, an improvement of over 40%. The decrease in the operating loss is mainly driven by the increase in gross profit quarter over quarter.

Net loss for the fourth quarter of 2012 was \$10.2 million, or \$0.21 per share, compared to a net loss of \$14.3 million, or \$0.30 per share, for the fourth quarter of 2011.

“2012 was an extremely successful year across all fronts for Insulet, with strong revenue growth and expanded gross margins driving us to operating cash profitability\* in the fourth quarter,” said Duane DeSisto, President and Chief Executive Officer of Insulet. “The year culminated with our most exciting accomplishment, FDA clearance of the new OmniPod. We have begun shipping the new OmniPod to new customers and expect to begin transitioning our existing customer base to the new OmniPod in the coming weeks. Looking ahead to 2013, we expect continued growth to be driven by robust demand for the new OmniPod, which retains all the easy-to-use features of the original OmniPod, and is over a third smaller in size and a quarter lighter.”

### ***Full Year Results***

For the year ended December 31, 2012, revenue increased 39% to \$211.4 million from \$152.3 million for the year ended December 31, 2011. Gross profit for the year ended December 31, 2012 was \$92.3 million, an improvement of 38%, as compared to a gross profit of \$66.7 million, for the year ended December 31, 2011.

Operating loss for the year ended December 31, 2012 was \$36.0 million as compared to an operating loss of \$42.5 million in the year ended December 31, 2011. Total operating expenses were \$128.3 million for the year ended December 31, 2012, compared to \$109.2 million for the year ended December 31, 2011. This increase in operating expenses was primarily related to the June 2011 acquisition of Neighborhood Diabetes, the expansion of our commercial team and higher research and development costs associated with the development and approval of our next generation OmniPod.

Net interest expense was \$15.7 million for the year ended December 31, 2012, compared to \$14.6 million for the year ended December 31, 2011. Income tax expense was \$0.2 million in the year ended December 31, 2012, compared to income tax benefit of \$11.2 million for the year ended December 31, 2011. Income tax expense in 2012 primarily related to

federal, state and foreign taxes. Income tax benefit in 2011 primarily resulted from acquired deferred tax liabilities which were used to offset preexisting deferred tax assets and reduced the amount of the valuation allowance required.

Net loss for the year ended December 31, 2012 was \$51.9 million, or \$1.08 per share, compared to \$45.8 million, or \$0.98 per share, for the year ended December 31, 2011.

As of December 31, 2012, the Company had cash and cash equivalents of \$57.3 million compared to \$94.0 million at December 31, 2011. In January 2013, the Company sold approximately 4.7 million shares of common stock at \$20.75 per share and received net proceeds of approximately \$92.8 million.

### ***Guidance***

For the year ending December 31, 2013, the Company estimates that revenue will be in the range of \$240 to \$255 million. For the first quarter ending March 31, 2013, the Company expects that revenue will be in the range of \$56 to \$59 million.

20. On February 28, 2013, Insulet filed its Annual Report with the SEC on Form 10K for the 2012 fiscal year. The Company's Form 10-K was signed by Defendants DeSisto and Roberts, and reaffirmed the Company's statements previously announced on February 27, 2013.

21. On February 27, 2014, Insulet issued a press release entitled, "Insulet Reports Fourth Quarter and Full Year 2013 Results." Therein, the Company, in relevant part, stated:

### ***Company Achieves Operating Profitability in Q4; U.S. Transition to New OmniPod Insulin Pump Complete***

Insulet Corporation (NASDAQ: PDD), the leader in tubeless insulin pump technology with its OmniPod® Insulin Management System, today announced financial results for the fourth quarter and full year ended December 31, 2013.

### **Fourth Quarter Results**

Fourth quarter 2013 revenue increased 19% to \$68.5 million, compared to \$57.8 million in the fourth quarter of 2012. The increase in revenue is a result of continued strong patient adoption of the OmniPod insulin pump in the United States and international markets during the fourth quarter of 2013. This level of revenue growth was achieved despite a reduction in

Neighborhood Diabetes revenue from the sale of testing supplies to Medicare patients due to CMS' competitive bidding program, which went into effect on July 1, 2013. Excluding the impact of the competitive bidding program, revenue increased by over 25% as compared to the fourth quarter of 2012. Gross profit for the fourth quarter of 2013 improved by 30% to \$33.0 million, as compared to a gross profit of \$25.3 million for the fourth quarter of 2012. Gross profit improvements were largely a result of the completion of the transition of the U.S. customer base to the lower-cost new OmniPod, offset by certain costs associated with the transition.

Operating profit for the fourth quarter of 2013 was \$0.2 million, compared to an operating loss of \$6.1 million in the fourth quarter of 2012. The improvement in the operating loss was mainly driven by the increase in gross profit in the respective quarters. Operating expenses increased by approximately \$1.4 million in the fourth quarter of 2013 compared to the fourth quarter of 2012 largely reflecting the overall growth in the customer base from the prior year.

Net loss for the fourth quarter of 2013 was \$2.5 million, or \$0.04 per share, compared to a net loss of \$10.2 million, or \$0.21 per share, for the fourth quarter of 2012.

"2013 was one of the most exciting years in Insulet's history, and I am proud of all that our team accomplished," said Duane DeSisto, President and Chief Executive Officer of Insulet. "We launched the smaller, lighter OmniPod, transitioned all of our OmniPod customers to the new product in less than six months and established manufacturing operations capable of producing nearly one million pods per month. We are extremely pleased with achieving operating profitability in the fourth quarter and are poised for even greater success in 2014. Looking forward, we expect OmniPod revenue to grow 30% year over year and to achieve operating profitability for the full year."

### **Full Year Results**

For the year ended December 31, 2013, revenue increased 17% to \$247.1 million from \$211.4 million for the year ended December 31, 2012. Gross profit for the year ended December 31, 2013 was \$112.4 million, an improvement of 22%, as compared to a gross profit of \$92.3 million for the year ended December 31, 2012.

Operating loss for the year ended December 31, 2013 was \$29.1 million as compared to an operating loss of \$36.0 million in the year ended December 31, 2012. Total operating expenses were \$141.5 million for the year ended December 31, 2013, compared to \$128.3 million for the year



ended December 31, 2012. This increase in operating expenses was primarily related to costs incurred as a result of the launch of the new OmniPod System as well as one-time legal fees and settlement costs incurred in connection with the Settlement and Cross-License Agreement entered into with Medtronic Minimed.

Net interest and other expense was \$15.7 million for the year ended December 31, 2013, consistent with the year ended December 31, 2012 interest and other expense primarily relates to cash and non-cash interest expense on our 3.75% Convertible Notes due in June 2016.

Net loss for the year ended December 31, 2013 was \$45.0 million, or \$0.83 per share, compared to \$51.9 million, or \$1.08 per share, for the year ended December 31, 2012.

As of December 31, 2013, the Company had cash and cash equivalents of \$149.7 million compared to \$57.3 million at December 31, 2012.

### **Guidance**

For the year ending December 31, 2014, the Company estimates that revenue will be in the range of \$295 to \$315 million. For the first quarter ending March 31, 2014, the Company expects that revenue will be in the range of \$67 to \$71 million.

22. On February 28, 2014, Insulet filed its Annual Report with the SEC on Form 10K for the 2013 fiscal year. The Company's Form 10-K was signed by Defendants DeSisto and Roberts, and reaffirmed many of the Company's statements previously announced on February 27, 2014.

23. On May 7, 2014, Insulet issued a press release entitled, "Insulet Reports First Quarter 2014 Results." Therein, the Company, in relevant part, stated:

### **Revenue Increases Over 20% From Prior Year; Demand for New OmniPod and Expanded Commercial Team Expected to Drive Continued Growth**

Insulet Corporation (NASDAQ: PODD), the leader in tubeless insulin pump technology with its OmniPod® Insulin Management System, today announced financial results for the first quarter ended March 31, 2014.

### **First Quarter Results**

Sales of the new OmniPod both in the U.S. and in international markets helped drive strong increases in first quarter revenues and gross profit. First quarter 2014 revenue increased 21% to \$69.2 million from \$57.4 million in the first quarter of 2013. This level of revenue growth was achieved despite a reduction in Neighborhood Diabetes revenue from the sale of testing supplies to Medicare patients due to CMS' competitive bidding program, which went into effect on July 1, 2013. Excluding the impact of the competitive bidding program, revenue increased by approximately 30% year over year. Gross profit for the first quarter of 2014 rose 30% to \$32.8 million from \$25.2 million for the first quarter of 2013. "Revenues continue to grow at an impressive rate," said Duane DeSisto, President and Chief Executive Officer of Insulet. "We have seen customer acceptance of our new OmniPod drive growth both here in the U.S. and internationally. We have begun to add additional commercial team members in high-performing territories. Many of them hit the ground running in April, and we expect to see a positive impact on second quarter growth as a result of their support. With a year's worth of experience behind us, we have made significant progress regarding the consistency of our manufacturing process for the new OmniPod with capacity to produce nearly a million OmniPods per month."

Operating loss for the first quarter of 2014 was \$1.9 million, compared to an operating loss of \$6.2 million in the first quarter of 2013, an improvement of approximately 70% as the Company continues to focus on reaching operating profitability for the year. Operating expenses were \$34.7 million in the first quarter of 2014 compared to \$31.4 million in the first quarter of 2013. The increase in operating expenses is primarily due to an increase in compensation related expenses, including stock-based compensation which was driven by the increased stock price through the first quarter.

Net loss for the first quarter of 2014 was \$6.1 million, or \$0.11 per share, compared to a net loss of \$10.7 million, or \$0.20 per share, for the first quarter of 2013.

As of March 31, 2014, the Company had cash and cash equivalents of \$145.6 million compared to \$149.7 million at December 31, 2013.

### **Guidance**

For the year ending December 31, 2014, the Company reiterates its estimate that revenue will be in the range of \$295 to \$315 million. For the second quarter of 2014, the Company expects that revenue will be in the range of \$70 to \$74 million.

24. On May 7, 2014, Insulet filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal first quarter. The Company's Form 10-Q was signed by Defendants DeSisto and Roberts, and reaffirmed the Company's statements previously announced that day.

25. On August 7, 2014, Insulet issued a press release entitled, "Insulet Reports Second Quarter 2014 Results." Therein, the Company, in relevant part, stated:

***Company Achieves Record Revenue and Gross Profit***

Insulet Corporation (NASDAQ: PODD), the leader in tubeless insulin pump technology with its OmniPod<sup>®</sup> Insulin Management System, today announced financial results for the three and six months ended June 30, 2014.

**Second Quarter Results**

Second quarter 2014 revenue increased 20% to \$72.0 million, compared to \$60.1 million in the second quarter of 2013. Gross profit for the second quarter of 2014 rose 33% to \$35.8 million from \$26.8 million for the second quarter of 2013. The Company reached 50% gross margin for the second quarter of 2014, compared to 45% for the second quarter of 2013.

"We made significant progress across all aspects of the business in the second quarter. Revenue increased by 35% within the OmniPod business and 20% overall," said Duane DeSisto, President and Chief Executive Officer of Insulet. "We achieved a 50% gross margin for the first time and excluding the impact of the patent settlement, we generated nearly \$2 million of operating profit. I remain confident and excited about a strong second half of the year as we begin to see the return of investment in our new commercial team members, continue to see additional gross margin expansion and remain operating profitable."

Operating expenses were \$41.0 million in the second quarter of 2014 compared to \$32.7 million in the second quarter of 2013. During the second quarter, the Company settled patent infringement litigation with Becton, Dickinson and Company resulting in one-time settlement and legal costs totaling approximately \$7 million. Operating loss for the second quarter of 2014 was \$5.3 million, compared to an operating loss of \$5.8 million in the second quarter of 2013, an improvement of 9%. Excluding the impact of the settlement and legal costs, the Company would have reported an operating profit of \$1.7 million in the quarter.

Interest and other expense was \$23.8 million in the second quarter of 2014 compared to \$4.6 million in the second quarter of 2013. The increase in interest and other expense is due to the loss from the extinguishment of debt recorded in June 2014. The Company sold approximately \$201.3 million in principal amount of 2% Senior Convertible Notes due June 2019 and concurrently repurchased \$114.9 million in principal amount of 3.75% Senior Convertible Notes due June 2016 for a cash payment of approximately \$160.7 million. The Company recorded an \$18.9 million loss from the extinguishment of debt in the second quarter of 2014 in connection with the repurchase of its 3.75% Notes. The remaining \$28.8 million of 3.75% Senior Convertible Notes were subsequently called on June 17, 2014 and retired on July 28, 2014 for \$28.8 million in cash and approximately 348,000 shares of common stock.

Net loss for the second quarter of 2014 was \$29.1 million, or \$0.53 per share, compared to a net loss of \$10.5 million, or \$0.20 per share, for the second quarter of 2013. Excluding the impact of the extinguishment of debt and the settlement and legal costs, the Company's net loss was \$3.2 million or approximately \$0.06 per share.

For the six months ended June 30, 2014, revenue increased 20% to \$141.2 million from \$117.4 million for the first six months of 2013. Gross profit for the first six months of 2014 was \$68.6 million, as compared to a gross profit of \$52.0 million in the first six months of 2013. Operating loss for the six months ended June 30, 2014 was \$7.2 million, as compared to an operating loss of \$12.0 million in the six months ended June 30, 2013. Net loss for the first six months of 2014 was \$35.3 million, or \$0.64 per share, compared to \$21.2 million, or \$0.40 per share, for the first six months of 2013.

As of June 30, 2014, the Company had cash and cash equivalents of \$175.5 million compared to \$149.7 million at December 31, 2013.

### **Guidance**

For the year ending December 31, 2014, the Company updated its estimate of revenue to be in the range of \$290 to \$300 million. The Company adjusted the midpoint of 2014 guidance down approximately 3%, reflecting a payor issue that is delaying new patient starts due to changes in the payor's general pump reimbursement policies. For the third quarter of 2014, the Company expects that revenue will be in the range of \$73 to \$77 million.

26. On August 7, 2014, Insulet filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal second quarter. The Company's Form 10-Q was signed by Defendants DeSisto and Roberts, and reaffirmed the Company's statements previously announced that day.

27. On November 5, 2014, Insulet issued a press release entitled, "Insulet Reports Third Quarter 2014 Results." Therein, the Company, in relevant part, stated:

***Revenue Up 23% and Gross Profit Up 39% Year Over Year; Company Achieves Net Breakeven, Excluding One-Time Charges***

Insulet Corporation (NASDAQ: PODD), the leader in tubeless insulin pump technology with its OmniPod<sup>®</sup> Insulin Management System, today announced financial results for the three and nine months ended September 30, 2014.

**Third Quarter Results**

Third quarter 2014 revenue increased 23% to \$75.0 million, compared to \$61.1 million in the third quarter of 2013. Gross profit for the third quarter of 2014 rose 39% to \$38.0 million from \$27.4 million for the third quarter of 2013. The Company continued to expand gross margin in the third quarter of 2014, reaching 51%, compared to 45% in the third quarter of 2013.

"The revenue and gross profit levels we achieved in the third quarter demonstrate our continued focus on driving demand for the OmniPod with people living with Type I diabetes," said Patrick Sullivan, President and Chief Executive Officer of Insulet. "In my first fifty days at Insulet, I've had the opportunity to gain a much deeper understanding of our Company, and my enthusiasm for this business and its future has grown significantly. We are well poised for continued growth with the easiest-to-use, most innovative product in the insulin delivery market with a pipeline of initiatives that will continually raise the bar for years to come."

Operating expenses were \$40.9 million in the third quarter of 2014, compared to \$44.7 million in the third quarter of 2013. During the third quarter of 2014, the Company recorded approximately \$7 million of additional compensation expense relating to the recent CEO transition. The additional compensation charge was primarily related to non-cash amounts. Operating expenses in the third quarter of 2013 included approximately \$10 million related to the legal and settlement costs

associated with the Medtronic patent litigation, which was settled in September 2013.

Operating loss for the third quarter of 2014 was \$2.9 million, compared to an operating loss of \$17.3 million in the third quarter of 2013, an improvement of more than 80%. Excluding the one-time compensation charges, the Company would have reported an operating profit of approximately \$4 million for the third quarter of 2014.

Interest and other expense was \$7.9 million in the third quarter of 2014, compared to \$4.0 million in the third quarter of 2013. The increase in interest and other expense is due to the \$4.3 million loss recorded relating to the conversion of the remaining 3.75% Senior Convertible Notes in the third quarter for approximately \$28.8 million in cash and 349,000 shares of common stock. All 3.75% Senior Convertible Notes were retired as of September 30, 2014.

Excluding the loss on the early extinguishment of debt and the compensation charges related to the CEO transition, the Company reached breakeven results at the net income line and on an earnings per share basis in the third quarter of 2014. Net loss for the third quarter of 2014 was \$10.8 million, or \$0.19 per share, compared to a net loss of \$21.3 million, or \$0.39 per share, for the third quarter of 2013.

### **Nine Month Results**

For the nine months ended September 30, 2014, revenue increased 21% to \$216.2 million from \$178.6 million for the first nine months of 2013. Gross profit for the first nine months of 2014 was \$106.6 million, as compared to a gross profit of \$79.4 million in the first nine months of 2013. Operating loss for the nine months ended September 30, 2014 was \$10.0 million, as compared to an operating loss of \$29.3 million in the nine months ended September 30, 2013. Net loss for the first nine months of 2014 was \$46.1 million, or \$0.83 per share, compared to \$42.5 million, or \$0.79 per share, for the first nine months of 2013.

As of September 30, 2014, the Company had cash and cash equivalents of \$146.4 million compared to \$149.7 million at December 31, 2013.

### **Guidance**

For the year ending December 31, 2014, the Company revised its estimate of revenue to be in the range of \$292 to \$297 million. For the fourth quarter of 2014, the Company expects that revenue will be in the range of \$76 to \$81 million.

28. On November 5, 2014, Insulet filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal third quarter. The Company's Form 10-Q was signed by Defendants Sullivan and Roberts, and reaffirmed the Company's statements previously announced that day.

29. On February 26, 2015, Insulet issued a press release entitled, "Insulet Reports Fourth Quarter and Full Year 2014 Financial Results." Therein, the Company, in relevant part, stated:

***Full Year 2014 Revenue Increased 17%***

Insulet Corporation (NASDAQ: PODD), the leader in tubeless insulin pump technology with its OmniPod<sup>®</sup> Insulin Management System, today announced financial results for the three months and full year ended December 31, 2014.

***Fourth Quarter Highlights and Recent Developments:***

- Continuing to drive OmniPod adoption resulting in double digit year-over-year growth.
- Strengthening senior leadership team with key executive appointments in commercial operations including sales, marketing, managed care and customer support.
- Forming drug delivery business unit with the addition of experienced senior executives.
- Extending exclusive blood glucose meter partnership with Abbott Laboratories.
- Transforming Canadian distribution to a direct model for OmniPod.

"Insulet's OmniPod System, the leading tubeless insulin delivery technology and most differentiated insulin delivery system on the market, allows us to further our leadership in 'intelligent' drug delivery," said Patrick Sullivan, President and Chief Executive Officer. "We have recently enhanced our senior management team with several executives who bring outstanding experience and executional expertise to Insulet and together we are driving focus, growth and increased accountability throughout the entire organization. We are confident that we have the right strategy and team to take Insulet to the next level and ensure OmniPod remains well-positioned for continued adoption in the U.S. and international markets."

“Looking ahead to the remainder of 2015, as an organization we recognize the challenges we face and are energized by the opportunity we see before us,” continued Mr. Sullivan. “In recent months, we have put in place a number of catalysts to drive growth, including sales force expansion and a focused managed care effort. We believe we are well-positioned to build momentum and drive stronger top-line growth as the year progresses.”

***Fourth Quarter 2014 Financial Results:***

Fourth quarter 2014 revenue increased 6% to \$72.6 million, compared with \$68.5 million in the fourth quarter of 2013.

Gross profit for the fourth quarter of 2014 improved 11% to \$36.7 million from \$33.0 million in the fourth quarter of 2013. The Company further expanded gross margin in the fourth quarter of 2014 to 51%, compared with 48% in the same quarter of 2013.

Operating loss for the fourth quarter of 2014 was \$2.3 million, compared with an operating profit of \$0.2 million in the fourth quarter of 2013. This result was primarily driven by a 19% increase in operating expenses to \$38.9 million compared with \$32.8 million in the prior year. During the fourth quarter of 2014, the Company recorded \$3.8 million of charges (of which \$1.6 million was non-cash) consisting primarily of severance and stock-based compensation related to recent management transitions. There were no one-time charges in the fourth quarter of 2013.

Net loss for the fourth quarter of 2014 was \$5.4 million, or \$0.10 per share, compared with net loss of \$2.5 million, or \$0.04 per share, in the fourth quarter of 2013.

***Full Year 2014 Results:***

For the year ended December 31, 2014, revenue increased 17% to \$288.7 million from \$247.1 million in 2013.

Gross profit for the year ended December 31, 2014 improved 27% to \$143.3 million, compared with \$112.4 million in 2013. Gross margin improved to 50% in 2014 compared with 45% in 2013.

Operating loss for the year ended December 31, 2014 improved to \$12.3 million, compared with an operating loss of \$29.1 million in 2013. For the year ended December 31, 2014, operating loss included a charge of approximately \$10.4 million (of which \$6.8 million was non-cash) related to management transition costs and a charge of approximately \$7 million in settlement and legal expenses related to the Becton, Dickinson and Company patent infringement suit. Operating loss for the year ended



December 31, 2013 included a charge of approximately \$10 million related to the Company's settlement of the Medtronic patent infringement lawsuit, as well as costs incurred related to the launch of the next-generation OmniPod.

Net loss for the year ended December 31, 2014 was \$51.5 million, or \$0.93 per share, compared with \$45.0 million, or \$0.83 per share for the full year 2013. As of December 31, 2014, the Company had cash and cash equivalents of \$151.2 million compared with \$149.7 million at December 31, 2013.

***Guidance:***

For the year ending December 31, 2015, the Company expects revenue to be in the range of \$305 to \$320 million. For the first quarter of 2015, the Company expects revenue to be in the range of \$67 to \$69 million.

30. On February 26, 2015, Insulet filed its Annual Report with the SEC on Form 10-K for the 2014 fiscal year. The Company's Form 10-K was signed by Defendants Sullivan and Dorval, and reaffirmed the Company's statements previously announced that day.

31. The statements contained in ¶¶19-30 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the Company was experiencing slower demand for its products; (2) that the Company was facing issues with its sales and marketing efforts; (3) that, as a result, the Company experienced unevenness in its financial performance; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects lacked a reasonable basis.

**The Truth Emerges**

32. On April 30, 2015, after the market closed, Insulet issued a press release entitled, "Insulet Reports First Quarter 2015 Financial Results." Therein, the Company, in relevant part, stated:

***Reaffirms Full Year 2015 Guidance***

Insulet Corporation (NASDAQ: PDD), the leader in tubeless insulin pump technology with its OmniPod® Insulin Management System, today

announced financial results for the three months ended March 31, 2015.

***First Quarter Highlights and Recent Developments:***

- First quarter financial results:
  - U.S. OmniPod revenue in-line with Company's expectations.
  - ***Drug Delivery and International shipments planned for the first quarter now expected to be realized during remainder of 2015.***
- Strengthened senior leadership team with appointment of highly-experienced Chief Financial Officer.
- Previously announced:
  - First quarter key executive appointments across sales, marketing, managed care, customer support and investor relations.
  - Extension of exclusive blood glucose meter partnership with Abbott Diabetes Care, Inc.
  - Transformation of Canadian distribution to direct model for OmniPod.

“With our U.S. OmniPod business on track, in spite of some unevenness in our first quarter performance in our other product areas, we remain on track to achieve our originally-stated full-year revenue expectations and we are excited about the promising opportunities ahead of us,” said Patrick Sullivan, President and Chief Executive Officer. “I am strongly encouraged by the progress we have made toward our key initiatives. We recognize that we have work to do, however we are achieving important milestones in executing a strategy to ramp Insulet's sales and marketing efforts, enhance access to our innovative and differentiated technology, and further improve our global footprint. I am confident that we have the right talent to lead Insulet and position the Company for sustained accelerated growth over the long-term.”

***First Quarter 2015 Financial Results:***

***First quarter 2015 revenue decreased 11% to \$61.2 million, compared with \$69.2 million in the first quarter of 2014.***

Operating loss for the first quarter of 2015 was \$8.6 million, compared with an operating loss of \$1.9 million in the first quarter of 2014. This result was primarily driven by a 19% increase in operating expenses to \$41.4 million compared with \$34.7 million in the prior year. Included in our operating expenses during the first quarter of 2015 and 2014 were charges of \$2.4 million and \$0.2 million (of which \$1.2 million and zero were non-cash), respectively, consisting primarily of severance and stock-based compensation related to recent management transitions.

Net loss for the first quarter of 2015 was \$11.8 million, or \$0.21 per share, compared with net loss of \$6.1 million, or \$0.11 per share, in the first quarter of 2014.

***Guidance:***

For the year ending December 31, 2015, the Company is reaffirming its revenue guidance of \$305 to \$320 million. For the second quarter of 2015, the Company is expecting revenue to be in the range of \$67 to \$70 million.

(Emphasis added.)

33. On this news, shares of Insulet declined \$2.88 per share, nearly 10%, to close on May 1, 2015, at \$26.97 per share, on unusually heavy volume.

**CLASS ACTION ALLEGATIONS**

34. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired Insulet securities during the Class Period (the “Class”); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

35. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Insulet securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by Insulet or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

36. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.

37. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

38. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the federal securities laws were violated by defendants' acts as alleged herein;
- whether statements made by defendants to the investing public during the Class Period misrepresented material facts about the business, operations and management of Insulet;
- whether the Individual Defendants caused Insulet to issue false and misleading financial statements during the Class Period;
- whether defendants acted knowingly or recklessly in issuing false and misleading financial statements;
- whether the prices of Insulet securities during the Class Period were artificially inflated because of the defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

39. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually

redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

40. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Insulet securities are traded in an efficient market;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiff and members of the Class purchased, acquired and/or sold Insulet securities between the time the defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

41. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

42. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

**COUNT I**

**(Against All Defendants For Violations of  
Section 10(b) And Rule 10b-5 Promulgated Thereunder)**

43. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

44. This Count is asserted against defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

45. During the Class Period, defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Insulet securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire Insulet securities and options at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

46. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described above, including statements made to securities analysts and the media that were designed to

influence the market for Insulet securities. Such reports, filings, releases and statements were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Insulet's finances and business prospects.

47. By virtue of their positions at Insulet, defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to defendants. Said acts and omissions of defendants were committed willfully or with reckless disregard for the truth. In addition, each defendant knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

48. Defendants were personally motivated to make false statements and omit material information necessary to make the statements not misleading in order to personally benefit from the sale of Insulet securities from their personal portfolios.

49. Information showing that defendants acted knowingly or with reckless disregard for the truth is peculiarly within defendants' knowledge and control. As the senior managers and/or directors of Insulet, the Individual Defendants had knowledge of the details of Insulet's internal affairs.

50. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Insulet. As officers and/or directors of a publicly-held company, the Individual Defendants had a

duty to disseminate timely, accurate, and truthful information with respect to Insulet's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of Insulet securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts concerning Insulet's business and financial condition which were concealed by defendants, Plaintiff and the other members of the Class purchased or otherwise acquired Insulet securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by defendants, and were damaged thereby.

51. During the Class Period, Insulet securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of Insulet securities at prices artificially inflated by defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of Insulet securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of Insulet securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

52. By reason of the conduct alleged herein, defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.



53. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases, acquisitions and sales of the Company's securities during the Class Period, upon the disclosure that the Company had been disseminating misrepresented financial statements to the investing public.

## **COUNT II**

### **(Violations of Section 20(a) of the Exchange Act Against The Individual Defendants)**

54. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

55. During the Class Period, the Individual Defendants participated in the operation and management of Insulet, and conducted and participated, directly and indirectly, in the conduct of Insulet's business affairs. Because of their senior positions, they knew the adverse non-public information about Insulet's misstatement of income and expenses and false financial statements.

56. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Insulet's financial condition and results of operations, and to correct promptly any public statements issued by Insulet which had become materially false or misleading.

57. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which Insulet disseminated in the marketplace during the Class Period concerning Insulet's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Insulet to engage in the wrongful acts

complained of herein. The Individual Defendants therefore, were “controlling persons” of Insulet within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Insulet securities.

58. Each of the Individual Defendants, therefore, acted as a controlling person of Insulet. By reason of their senior management positions and/or being directors of Insulet, each of the Individual Defendants had the power to direct the actions of, and exercised the same to cause, Insulet to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Insulet and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

59. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Insulet.

### **PRAYER FOR RELIEF**

**WHEREFORE**, Plaintiff demands judgment against defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys’ fees, expert fees and other costs; and

Awarding such other and further relief as this Court may deem just and proper.

**DEMAND FOR TRIAL BY JURY**

Plaintiff hereby demands a trial by jury.

Dated: May 15, 2015

By his attorneys,

/s/ Edward F. Haber

Edward F. Haber (BBO#215620)

Adam M. Stewart (BBO#661090)

**SHAPIRO HABER & URMY LLP**

Seaport East

Two Seaport Lane

Boston, MA 02210

Telephone: 617-439-3939

Facsimile: 617-439-0134

[ehaber@shulaw.com](mailto:ehaber@shulaw.com)

[astewart@shulaw.com](mailto:astewart@shulaw.com)

**POMERANTZ LLP**

Jeremy A. Lieberman

C. Dov Berger

600 Third Avenue, 20th Floor

New York, New York 10016

Telephone: (212) 661-1100

Facsimile: (212) 661-8665

**POMERANTZ LLP**

Patrick V. Dahlstrom

Ten South LaSalle Street, Suite 3505

Chicago, Illinois 60603

Telephone: (312) 377-1181


Facsimile: (312) 377-1184

**CERTIFICATION PURSUANT  
TO FEDERAL SECURITIES LAWS**

1. I, ROBERT G. BURNS, make this declaration pursuant to Section 27(a)(2) of the Securities Act of 1933 ("Securities Act") and/or Section 21D(a)(2) of the Securities Exchange Act of 1934 ("Exchange Act") as amended by the Private Securities Litigation Reform Act of 1995.
2. I have reviewed a Complaint against Insulet Corporation ("Insulet" or the "Company"), and authorize the filing of a comparable complaint on my behalf.
3. I did not purchase or acquire Insulet securities at the direction of plaintiffs counsel or in order to participate in any private action arising under the Securities Act or Exchange Act.
4. I am willing to serve as a representative party on behalf of a Class of investors who purchased or acquired Insulet securities during the class period, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.
5. To the best of my current knowledge, the attached sheet lists all of my transactions in Insulet securities during the Class Period as specified in the Complaint.
6. During the three-year period preceding the date on which this Certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws.
7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses directly relating to the representation of the class as ordered or approved by the Court.

8. I declare under penalty of perjury that the foregoing is true and correct.

Executed May 11, 2015  
(Date)

  
(Signature)

Robert E. Burns  
(Type or Print Name)

**INSULET CORPORATION (PODD)**

**Burns, Robert**

**LIST OF PURCHASES AND SALES**

<b>DATE</b>	<b>PURCHASE OR SALE</b>	<b>NUMBER OF SHS/UTS</b>	<b>PRICE PER SH/UT</b>
08/29/2013	PUR	100	\$33.3000
08/29/2013	PUR	140	\$33.3000